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Statement of Chairwoman Susan Davis Military Personnel Subcommittee Hearing on the Future of Military Health Care

March 12, 2008

"The purpose of today's hearing is to look at the short and long-term challenges facing the Defense Health Program.

"In 2007, total health expenditures of approximately 33 billion dollars accounted for just under 8% of the overall Department of Defense (DoD) budget. By 2015, the department projects that total health expenditures will rise to over 64 billion dollars, accounting for just over 11% of the total defense budget. All of this assumes a steady, modest, and potentially optimistic 6% annual rate of inflation in health care expenses.

"Without controlling the growth in health care costs, both the Department of Defense and Congress will face some very difficult choices: do we fully fund health care or operations; maintain medical readiness or procure all of the new equipment the services will require; keep our promise to retirees or resource all of the research & development needed to keep our technological edge.

"The Department's 2009 budget submission marks the third straight year that the department has proposed their 'Sustain the Benefit' program. In basic terms, Sustain the Benefit proposes to raise beneficiaries' co-payments, deductibles, and enrollment fees to both offset and avoid costs.

"The increase in fees will result in modest sums returned to the department. Beneficiaries will be discouraged from seeking care, both necessary and unnecessary, again due to higher co-payments for visits. The department's own budget materials clearly state that they intend to realize savings by raising the cost of TRICARE so much that family members and retirees will seek health insurance coverage outside of the DoD system because it will be cheaper.

"These steps are likely to reduce costs over the short-term: people are simply less likely to seek the same amount of care they receive today. However, what are the long-term implications of these actions? What will the costs be if beneficiaries wait too long to seek care and the underlying condition worsens or becomes untreatable?

"Now is not the time to exacerbate existing long-term problems or create new ones with programs that provide only short-term relief.

"When TRICARE was envisioned in its current form back in the 1990s, assumptions were made, without clear evidence, that private sector care was cheaper than the care provided in military treatment facilities. Risk was taken by dramatically shrinking the size, staffing, and number of military treatment facilities to save both money and end-strength personnel authorizations.

"As a result, we now have great difficulty fully supporting our combat forces, as the medical practitioners that support them are pulled from the very military

treatment facilities that were downsized. Some military hospitals and clinics have had to close down entire departments for months at a time due to deployed providers. Consequently, many beneficiaries who received their care in military facilities now must receive their care in the civilian sector.

"With most of our beneficiary care, in terms of dollars, now provided in the civilian system, we are at the mercy of inflationary pressures affecting the nation's health care system. Our beneficiary pool is simply not big enough to move the market in a positive direction. These are the problems we face with a military at war supported by a health care system designed with just barely enough capacity to function during peacetime.

"Again, we must not repeat such short-sighted thinking. What, then, is the way forward?

"To help us find answers to that question we have before us today Dr. S. Ward Casscells, the Assistant Secretary of Defense for Health Affairs.

"We also have Dr. Gail Wilensky, Co-chair of the Defense Task Force on the Future of Military Health Care.

"And finally, we have Dr. Ron Goetzel of Emory University's Institute for Health and Productivity Studies, who is also a Vice President for Consulting and Applied Research with Thomson Healthcare. Dr. Goetzel is a leading voice on the issues of wellness and prevention, having authored or co-authored numerous studies on the subject, not to mention advising many of our nation's top companies.

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Fax:
(202) 225-9077

2120 Rayburn House Office Building
Washington, D.C. 20515

Phone:
(202) 225-4151

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